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June 19, 2012

Via Electronic Filing

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

EX PARTE LETTER

RE: Special Access Rates for Price Cap Local Exchange Carriers, WC Docket No. 05-25

Dear Secretary Dortch:

On June 15, 2012, BT met with Commissioner Rosenworcel and her advisor Priscilla Argeris to discuss the pending pricing flexibility petitions and pricing flexibility triggers. Representing BT were Sheba Chacko, Senior Counsel and Head, North American Regulation and Global Telecoms Policy, and Jennifer Taylor Hodges, VP, US Government Affairs.

BT explained that there is ample evidence in the record showing that the pricing flexibility triggers are broken and urged the Commissioner to vote to suspend the triggers and deny pending petitions for pricing flexibility while the Commission develops a new pricing flexibility framework. BT also stated that the Commission should take the next logical step and reset pricing in pricing flexibility markets to price cap rates. Regarding AT&T's claims that it would be unfair to suspend the price flex triggers while AT&T's petitions for pricing flexibility are pending, BT pointed out that it would be arbitrary and capricious for the Commission to enforce rules that it knows are broken.

BT refuted ILEC claims that DS-1 and DS-3 access services are obsolete and made clear that its global Fortune 2000 customers rely on these inputs to connect their US sites to their global networks and are likely to do so for the foreseeable future.[1] BT then highlighted that small businesses are hurt by supranormal pricing of special access as well because small businesses turn to special access T1-based broadband access as they grow their businesses. Yet

[1] The extent of BT's customers' reliance on DS-1 and DS-3 circuits and the reasons for customers' failure to migrate to Ethernet services was explained in the confidential version of BT's Reply Comments filed in this docket on Feb. 24, 2010. Not much has changed in two years.

this customer segment pays the highest rates for T1-based broadband access because small businesses cannot commit to large volumes and hence obtain large volume discounts off high ILEC tariff rates.

The following charts from a study commissioned by the Small Business Administration[2] highlight this incongruity.

Figure 10: Survey Respondent Internet Connection Type by Total Number of Employees

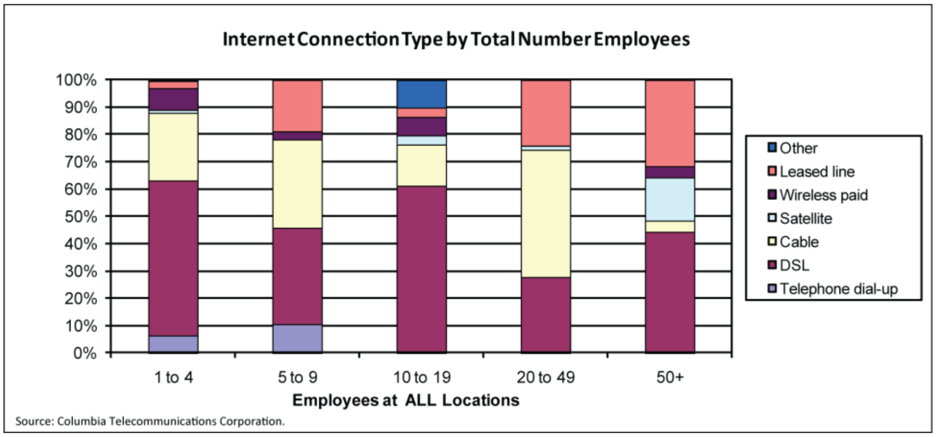
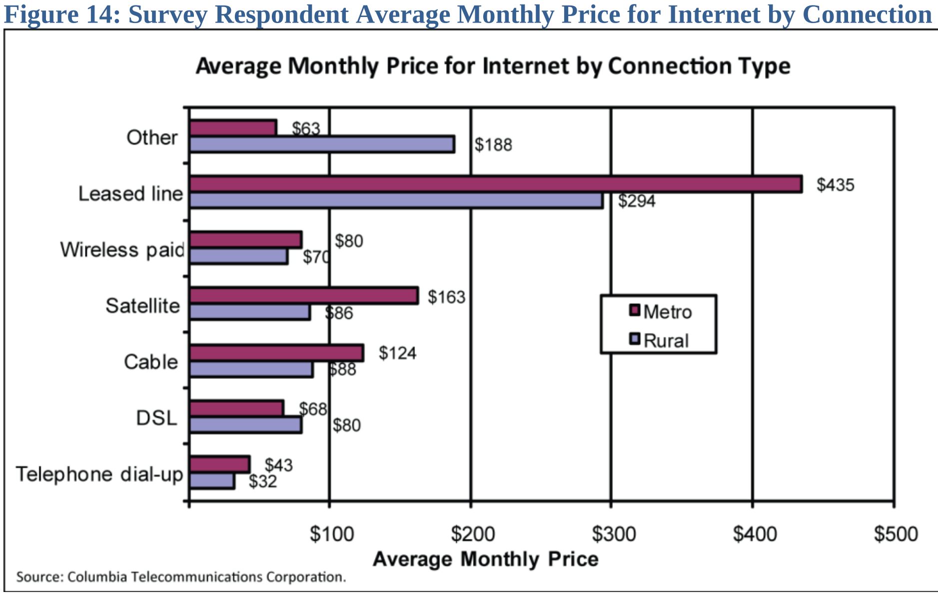


Figure 14: Survey Respondent Average Monthly Price for Internet by Connection Type[3]



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[2] Study commissioned by the SBA's Office of Advocacy and conducted by the Columbia Telecommunications Corp., *The Impact of Broadband Speed and Price on Small Business* (Nov. 2010) ("SBA Broadband Study), available at http://archive.sba.gov/advo/research/rs373tot.pdf.

[3] Figures 66 and 68 and Q.4, Appendix A of the SBA Broadband Study indicate that the leased line broadband access purchased is T1-based.

Please contact the undersigned if you have any questions regarding matters discussed herein.

Sincerely,

Sheba Chacko
Head, North American Regulation and Global Telecoms Policy, BT

cc: Priscilla Argeris